

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

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IN RE: PETITION OF TENNESSEE
AMERICAN WATER COMPANY TO
CHANGE AND INCREASE CERTAIN
RATES AND CHARGES

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DOCKET NO. 03-00118
TENNESSEE REGULATORY AUTHORITY
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**CHATTANOOGA MANUFACTURERS ASSOCIATION'S FIRST DATA REQUESTS
TO PETITIONER TENNESSEE-AMERICAN WATER COMPANY (TAWC)**

1. Please provide all documents on electronic spreadsheet and in hard copy, along with copies of all reference materials and other sources relied on by all TAWC witnesses in this proceeding.
2. Over the period 2000, 2001 and 2002, please provide copies of TAWC's Annual Report to Shareholders, the annual report filed with the Tennessee Regulatory Authority, and all annual report-like documents filed with the Securities and exchange Commission.
3. Please provide a copy of TAWC's five-year and ten-year capital expenditure and operating expense budgets.

The following questions relate to TAWC witness, Sheila A. Valentine.

4. Referring to Page 5 of Ms. Valentine's testimony, please provide the Company's most recent budget for chemical costs for the attrition year. Please identify whether the most recent budgeted chemical cost is higher or lower than the chemical cost reflected in the Company's filing.
5. Concerning Page 5 of Ms. Valentine's testimony, please provide the Company's most recent budget for waste disposal cost, and compare the most recent budget for this expense item with the amount of waste disposal cost included in the Company's filing.

6. Concerning Page 6 of Ms. Valentine's testimony, please provide a copy of the Value Line forecast referenced at Page 6. Also, please provide Value Line's definition for the U.S. Economy Gross Domestic Product as referenced by Ms. Valentine.

7. Concerning Ms. Valentine's proposed regulatory expense, please provide the following:

- a. Please identify the dates of TAWC's rate filings in its most recent four rate filings before the Tennessee Regulatory Authority (TRA).
- b. Please explain and justify why Ms. Valentine proposes a three-year period amortization for preparation and presentation of the current filing, and a five-year amortization of the Company's cost of service analysis.
- c. Please identify all activities that make up the Company's costs for preparation and presentation of the current filing, and the costs incurred to develop its cost of service study.

8. Concerning the Company's projected increase in insurance, other than group expense, please provide copies of all insurance company estimated premium changes that support the Company's contention that its attrition year insurance, other than group expense, will be as Ms. Valentine estimates at Page 6 of her testimony.

9. At Page 6 of Ms. Valentine's testimony, item "customer accounting expense," please provide the following:

- a. A breakdown and identification of expense account numbers describing the Company's customer accounting expense for the test year of \$435,427.
- b. The documents showing the development of \$6,632 of inflation escalation.
- c. The documents showing the reduction of \$34,976 resulting from the relocation of customer call center, and identification of the accounts where this expense savings is recorded.

- d. Identify the account number for the \$14,692 of IS billing costs moved to be included as management fees.
- e. The documents used to show that the attrition year customer accounting expense decreased by \$22,457.

10. Concerning Ms. Valentine's estimate of miscellaneous expenses, please provide the following:

- a. All documents and a description of all services underlying the Company's test year miscellaneous expense of \$1,538,255.
- b. A description of all services American Water Works provides TAWC for the amount of miscellaneous expense recorded in the test year.
- c. Copies of all analyses TAWC undertook to show that affiliate transaction fees are competitive for the services provided with alternative non-affiliated companies.
- d. Identify the total test year and attrition year security costs as reflected in the company's filing.
- e. Identify the annual expense reflected in miscellaneous expenses for the amortization of deferred security costs, service center and customer call center costs. Also identify the years in which these expenses were incurred and the total deferred balance reflected in the test year and the attrition year.

11. Concerning Ms. Valentine's estimate of maintenance expenses, please provide the following:

- a. All documents used to adjust the maintenance expense for the test year actual to a normalized test year amount as proposed by Ms. Valentine.
- b. Documents supporting the inflation factor adjustment to the test year expense.

12. Please provide all documents supporting Ms. Valentine's test year property tax

estimate, and adjustments to reflect the attrition year property tax expense.

The following questions relate to the direct testimony of TAWC witness, Michael A. Miller.

13. At Page 11 of Mr. Miller's testimony, he states that Mr. Herbert's cost of service study allocates \$1.105 million of public fire service classification cost of service to other customer classes. Please provide a detailed explanation of how this amount was allocated to other customer classes.

14. Concerning Page 13 of Mr. Miller's testimony, he states that the requested increase in this proceeding is largely due to additional utility plan investment reflected in TAWC's rate base. Please provide a breakdown of growth in utility plant investment by production plant, transmission plan, distribution plan, general plant, customer accounts, metering and services underlying the estimated revenue impact as shown on Page 13 of Mr. Miller's testimony.

15. At Page 14 of Mr. Miller's testimony, he states that the Company's pension expense has increased to \$387,000 in the test year. Please provide a copy of the Company's most recent actuarial study for the test year and the attrition year. Also provide a breakout of the Company's annual pension expense based on its actuarial study, and the projected cash contribution to the pension trust fund expected during the test year and the attrition year.

16. Concerning Mr. Miller's testimony at Pages 14 and 15, please provide all evaluations conducted by the Company to review the reasonableness of the increase to its group insurance premium costs and other insurance coverage costs.

17. Referring to Page 15 of Mr. Miller's testimony, he identifies \$537,000 of increased miscellaneous expense primarily related to inflationary trends. Please provide all documents supporting this cost estimate.

18. Please provide all information concerning American Water Capital Corp. (AWCC) TAWC currently uses to issue debt capital. With respect to this information, please include the following:

- a. A copy of credit reports from Standard & Poor's, Moody's and Fitch IBCA for AWCC.
- b. A copy of all affiliate transaction agreements and prices between TAWC and AWCC.
- c. A copy of all financial planning and recommendations made by AWCC concerning TAWC.

19. Please provide a copy of the Company's test year payroll and labor expense and the same for the attrition year. Please identify all assumed escalations to the Company's payroll and labor expense between the test year and the attrition year.

20. Please provide a copy of the Company's affiliate transaction agreements between TAWC and all affiliate companies.

21. Provide a list of the test year and attrition year transaction costs between TAWC and all affiliated companies.

22. Please provide a brief description of all affiliate services provided to TAWC.

23. Provide an analysis that shows that all TAWC affiliate transaction expenses are reasonable and comparable with competitive non-affiliated costs for providing the same or comparable services.

The following questions relate to TAWC witness, Roy Ferrell.

24. Please provide documents supporting all changes to the Company's employee and labor expense as discussed by Mr. Ferrell. Please also provide explicit percent escalations to the company's wage and labor expense from the test year to the attrition year.

25. Concerning the Company's pension expense requested in this proceeding, please provide the following:

- a. Since the Company's last rate filing, please identify the annual pension expense and the ERISA funding contribution made.
- b. Please identify the annual pension expense and the ERISA funding amount for the test year and the attrition year in this filing.

26. Please provide a copy of the Towers Perrin system-wide OPEB plan, and the allocation of the cost of this plan to TAWC and other affiliate companies participating in the American Water Works plan.

27. Please provide a copy of the Company's lead/lag study as referenced at Page 14 of Mr. Ferrell's testimony. Please state whether the Company incurred costs to complete the lead/lag study for the purpose of supporting its working capital requested in this proceeding.

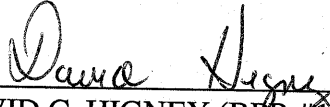

The following questions relate to the direct testimony of Paul R. Herbert.

28. Please provide a copy of the base extra capacity method as described in the 2000 prior Water Rates manuals published by the American Water Works Association as referenced at Page 4 of Mr. Herbert's testimony.

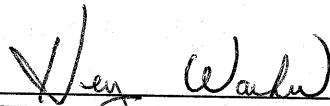

29. Please provide a complete description of how Mr. Herbert reallocated public fire protection costs to other customer classes. Please identify which allocation factors were affected by capping cost of service for public fire protection and the impact on the other classes by this practice.

Respectfully submitted this 26th of March, 2003.

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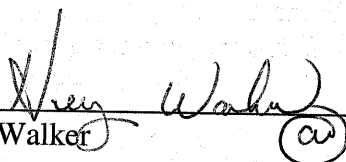
CERTIFICATE OF SERVICE

I hereby certify that I have on this 26th day of March, 2003, served the foregoing pleading either by fax, hand- or overnight-delivery service, or first class mail, postage prepaid, to all parties of record at their addresses shown below:

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